

M e m o r a n d u m

To: Panel Members Date: August 27, 2004

From: Creighton Chan, Manager Analyst: D. Woodside

Subject: ONE-STEP AGREEMENT FOR **SANMINA-SCI CORPORATION/CABLE SYSTEMS DIVISION**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports
Moving To A High Performance Workplace
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - Worldwide: 46,000
 - In California: 3,500
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$225,225
- Substantial Contribution: \$0
- Total ETP Funding: \$225,225
- Total In-kind Contribution: \$304,848
 - Trainee Wages Paid During Training: \$304,848
 - Other Contributions: \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Clara

INTRODUCTION:

Sanmina-SCI Corporation Cable Systems Division (Sanmina-SCI/Cable) is located in San Jose, California, and manufactures a full array of cable assembly products and services including high-speed data and fiber optic cabling for virtually all market sectors. The parent company, Sanmina-SCI Corporation, was founded in 1980 in San Jose, California, where it is headquartered. According to Company representatives, the parent company is a global leader in the electronic manufacturing services industry and employs 3,500 Californians of whom 166 are employed at its cable division. Sanmina-SCI/Cable proposes to retrain 165 frontline workers and managers to transition to a high performance workplace and to expand the demand for its products. The Company qualifies for standard ETP funding as a manufacturer facing out-of-state competition, under Title 22, California Code of Regulations, Section 4416(b).

MEETING ETP GOALS AND OBJECTIVES:

Sanmina-SCI/Cable proposes training that will further the following ETP goals and objectives:

- 1) The Company reports that it was able to survive the recent economic downturn by being flexible, offering both quick turnaround and high volume manufacturing, and focusing on new technology. Now the Company reports that it wants to grow by creating and manufacturing more complex cable assemblies. By retraining its workforce in manufacturing, computer, business, continuous improvement and literacy skills, the Company is more likely to succeed in its new growth strategy and stimulate exports of its products worldwide.
- 2) The San Jose plant must move aggressively to increase the productivity of its workforce, improve quality, implement new technology, and produce new products. With the Panel's assistance, Sanmina-SCI/Cable will be able to do just that by moving to a high performance workplace where self-directed teams comprised of frontline workers problem-solve and implement world class manufacturing practices.
- 3) In 2003, Sanmina-SCI Corporation closed down its Texas cable plant and moved production to San Jose. The San Jose location is now Sanmina-SCI Corporation's only cable assembly plant in the United States. In order to keep this production plant going and retain the San Jose workforce, the plant must meet customer requests for shorter and more complex product runs at a lower cost. Last year, Sanmina-SCI/Cable reports that it spent \$30,000 on new equipment to enlarge its San Jose facility's capacity and must implement a high performance workplace as its workforce grows. An extensive retraining effort of its entire workforce must now be undertaken.

TRAINING PLAN TABLE:

| Grp/Trainee Type | Types Of Training | No. Retain | No. Class/Lab Videocnf. Hrs. | No. CBT Hrs. | Average Cost per Trainee | Hourly Wage After 90 Days |
|---|--|------------|------------------------------|--------------|---|---|
| Job 1 Retrainees | Menu: Manufacturing Skills Continuous Improvement Computer Skills Business Skills Literacy Skills | 165 | 40-180 | 0 | \$1,365 | *\$12.17-\$45.74 |
| | | | | | <u>Prevalent Hourly Wage</u> \$13.19 | |
| | | | | | <u>Average Cost Per Trainee</u> \$1,365 | |
| <u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Employer-paid health benefits in the amount of \$2.66 per hour may be added to a trainee's wages to meet the ETP minimum hourly rate of \$12.17 in Santa Clara County. | | | | | <u>Turnover Rate</u> 2% | <u>% Of Mgrs & Supervisors To Be Trained:</u> 14% |
| <u>Other Employee Benefits:</u> Sanmina-SCI also provides life insurance, a 401K plan with Company match, stock options, and an employee stock purchase plan. | | | | | | |

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee) except for 23 managers.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

Sanmina-SCI Corporation Cable Systems Division is requesting the Panel assistance to provide 40-180 hours of classroom/laboratory training to each employee in the following types of training:

Manufacturing Skills: A major component of this training is to improve manufacturing efficiency through cross-training of production workers who will learn about different production areas and apply advanced production skills to improve output as a team. Training will also include applying world class manufacturing practices and setting up efficient and zero defect product lines, following written procedures, using quality check and assurance processes, and understanding and using Company performance criteria. Manufacturing skills training includes Sanmina-SCI/Cable-created training lessons for each production task which will lead to certification of each employee's skill level. The Company will monitor each trainee's progress on an ongoing basis, and evaluate training outcomes using quantitative business measures such as improved efficiency rates, better use of floor space, decrease in reject rates, decrease in returned product and higher ratings on its customer satisfaction surveys.

Continuous Improvement Skills: Company representatives have stated their commitment to create a work environment in which (1) all employees share their improvement ideas with their supervisors and (2) teams work together to streamline the production and delivery cycle. The Company will provide classroom/laboratory training in quality improvement methods to include: identifying operational improvements, applying preventative maintenance techniques, and using tools and machines at a level to meet quality assurance standards. All employees will learn how to (1) understand lean manufacturing principles and use these tools while on-the-job; (2) use world-class manufacturing process improvement tools and methods; (3) understand the interdependency of the Company's departments; (4) manage work more independently; and (5) work as a team to discuss changes and problems.

Business Skills: Training will focus on teaching project management skills so that staff can be efficient in getting their work projects completed. Communication skills will include negotiating, listening and interpersonal skills training. Customer service and sales training will be comprised of courses in customer relations, identifying customer needs, handling customer requests and resolving customer complaints, and enhanced product knowledge. These classes will be offered primarily to managers and administrative staff members.

Computer Skills: Training will be provided on report and table generation and analysis, document control, advanced Microsoft Windows applications, and training on the Company's more advanced computer system database, web and Oracle-based software. Trainees will include selected staff involved in inventory control and finance.

NARRATIVE: (continued)

Literacy Skills: English as a Second Language classes will cover basic workplace terminology and technical English in order to enhance the production worker's understanding of manuals and reports. A course in basic math will also be provided to production workers who require it. The Company reports that it has conducted needs assessments on over 100 employees and has identified approximately 78 people to receive this training.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. Sanmina-SCI/Cable has certified that in all instances, the ETP funds it is requesting supplement, rather than displace, its current training and would not occur in the form and manner described without funds from the Employment Training Panel.

In 2003, the Company reports that it spent approximately \$120,000 on safety, new-hire orientation, on-the-job training and limited class hours on basic manufacturing and English-speaking skills. With ETP funding, the Company will be able to move beyond this basic training and expand its training effort to include its entire workforce and provide many more classroom/laboratory training hours than it has ever been able to conduct. In addition, the ETP training has been customized to meet the Company's new quality, technology, and high performance standards and has never been provided to its employees before. To date, Sanmina-SCI/Cable states that it has spent approximately \$10,000 in project development and training needs assessment for the ETP program. The Company reports that it has also hired an additional human resource staff person and an assistant to the training manager to ensure that the ETP training program is implemented as planned.

SUBCONTRACTORS:

- Strategy Workplace Communications, San Francisco, California; for an amount to be determined for classroom/laboratory training.

THIRD PARTY SERVICES:

Strategic Workplace Communications assisted with the completion of the application documents for a flat fee of \$7,500.

Sanmina-SCI Corporation Cable Systems Division
Menu Curriculum

Class/Lab Hours
40-180

Trainees will receive any of the following:

MANUFACTURING SKILLS

- Quality Production Equipment, Tools and Operations
- World Class Manufacturing Processes and Practices
- Production Documents
- Cross-training in Production Equipment, Tools and Controls

CONTINUOUS IMPROVEMENT

- Quality Concepts
- Lean Manufacturing Principles and Tools
- Advanced Process Improvement Techniques
- Team Problem Solving and Self-Directed Teams
- ISO (2000, 9000)

BUSINESS SKILLS

- Advanced Methods of Project Management
- Communication Skills
- Customer Service (Customer Relations, Identifying Customer Needs, Handling Customer Requests, Resolving Customer Complaints)
- Sales and Enhanced Product Knowledge

COMPUTERS SKILLS

- Report and Table Generation and Analysis
- Document Processing
- Advanced Skills for Updated Windows and Office Programs
- Advanced System Software Skills

LITERACY SKILLS*

- Vocational English as a Second Language (VESL)
- Basic Math

*Literacy Skills for each trainee will not exceed 45% of the total job specific program hours.